

Dos and Don't For Machinery Valuation

26th ASEAN Valuers Association Congress

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ASSET LISTING

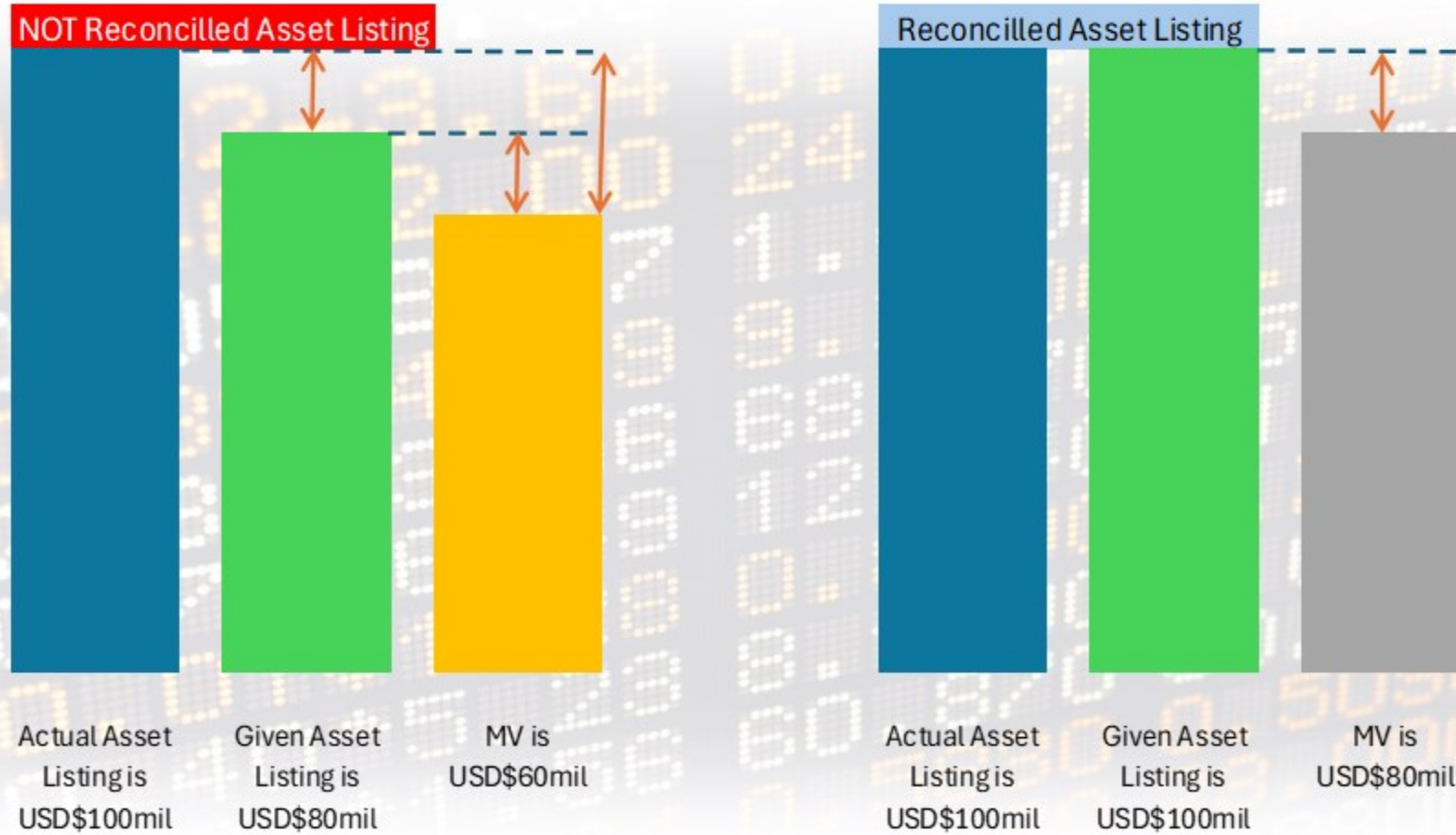
ASSET LISTING



- Understand request – **LISTEN!!!**
- Understand **PURPOSE** of Valuation – various purposes
- Understand the **ASSET LISTING** – reconciliation is very IMPORTANT.
- Understand these 3 points – Do NOT simply undertake the valuation



RECONCILIATION OF ASSET LISTING





DATE OF PURCHASE VS DATE OF MANUFACTURE

DATE OF PURCHASE vs DATE OF MFG

Date of Purchase

- Purchased New
- Purchased Used
- Capitalization Date
- WIP to Cap Date may have huge difference
- Date of Purchase still **valid**?

Date of Manufacture

- “Birth Cert” of Machine
- Purchased Used – ID plate intact
- Different from Date of Capitalization
- Date of Mfg vs Observed Condition => **FAKE ID?**

Whichever you use, **STATE** it in the report clearly!



SAMPLING OF ASSETS

SAMPLING OF ASSETS

- Agree the scope of sighting with the Client
- Possible for sighting/inspection?
- Reasons preventing you from sighting/inspection?
- Latest standards requires transparency and robust reporting
- Existence sighting vs Condition sighting
- Report condition based on category of assets or individual
- Special cases – Mention in report



DEFINITION

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Basis of Value

1. Market Value
2. Liquidation Value



“**Market value** is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Premise of Value

1. Highest and Best Use
2. Current Use/Existing Use
3. Orderly Liquidation
4. Forced Sale

Liquidation value is the amount that would be realised when an asset or group of assets are sold on a piecemeal basis. Liquidation value should take into account the costs of getting the assets into saleable condition as well as those of the disposal activity. Liquidation value can be determined under two different premises of value:

- a. an **orderly transaction** with a typical marketing period, or
- b. **forced transaction** with a shortened marketing period.



DEFINITION

Fair Value (International Financial Reporting Standards)

“IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”



Fair Market Value (Organisation for Economic Co-operation and Development (OECD))

“The OECD defines fair market value as the price a willing buyer would pay a willing seller in a transaction on the open market.”

Fair Market Value (United States Internal Revenue Service)

“For United States tax purposes, Regulation §20.2031-1 states: “The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.”





METHODOLOGY AND APPROACHES

METHODOLOGY AND APPROACHES

- State your methodology and approaches in the report
- What you **DID** and what you **DID NOT**
- **Choice** of method and your approaches
- Explanation







REPORT




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